

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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June 19, 2007

Mr. Craig G. DeKany, Reimbursement Manager
HCR – Manor Care
Post Office Box 10086
Toledo, Ohio 43699-0086

Re: AC# 3-OKW-J2 – HCR Manor Care d/b/a Oakmont West Nursing Home

Dear Mr. DeKany:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2001 through September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Yours very truly,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written over a horizontal line.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

RHGjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**HCR MANOR CARE
D/B/A OAKMONT WEST NURSING HOME
GREENVILLE, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2003
AC# 3-OKW-J2**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 3, 2007

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with HCR Manor Care d/b/a Oakmont West Nursing Home, for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of HCR Manor Care d/b/a Oakmont West Nursing Home is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by HCR Manor Care d/b/a Oakmont West Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days and Adjustment Report sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and HCR Manor Care d/b/a Oakmont West Nursing Home dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
May 3, 2007

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

OAKMONT WEST NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2003
AC# 3-OKW-J2

10/01/03-
09/30/04

Interim Reimbursement Rate (1)	\$122.66
Adjusted Reimbursement Rate	<u>118.69</u>
Decrease in Reimbursement Rate	\$ <u><u>3.97</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing as of January 24, 2007

OAKMONT WEST NURSING HOME
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 2003 Through September 30, 2004
AC# 3-OKW-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 56.65	\$61.80	
Dietary		10.71	11.55	
Laundry/Housekeeping/Maintenance		<u>10.52</u>	<u>9.83</u>	
Subtotal	<u>\$5.30</u>	77.88	83.18	\$ 77.88
Administration & Medical Records	<u>\$ -</u>	<u>14.83</u>	<u>13.46</u>	<u>13.46</u>
Subtotal		92.71	<u>\$96.64</u>	91.34
<u>Costs Not Subject to Standards:</u>				
Utilities		2.37		2.37
Special Services		-		-
Medical Supplies & Oxygen		2.82		2.82
Taxes and Insurance		9.85		9.85
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$107.75</u>		106.38
Inflation Factor (4.70%)				5.00
Cost of Capital				5.56
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				5.30
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(3.55)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$118.69</u>

OAKMONT WEST NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-OKW-J2

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&HS</u>	<u>Adjustments Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$2,547,934	\$ 619 (4)	\$ 29,355 (2) 2,184 (2) 2,590 (4)	\$2,514,424
Dietary	478,588	234 (4)	3,335 (2)	475,487
Laundry	140,274	-	-	140,274
Housekeeping	194,845	1,652 (5)	2,149 (2) 1,634 (6)	192,714
Maintenance	133,996	1,114 (5)	58 (4) 1,113 (6)	133,939
Administration & Medical Records	703,072	6,016 (5)	4,269 (2) 41,032 (4) 5,648 (6)	658,139
Utilities	105,000	871 (5)	6 (4) 871 (6)	104,994
Special Services	173	-	-	173
Medical Supplies & Oxygen	124,953	6 (4)	-	124,959
Taxes and Insurance	516,255	3,307 (4) 4,293 (5)	63,618 (1) 19,336 (3) 3,638 (6)	437,263
Legal Fees	4,352	42 (5)	4,319 (4) 1 (6)	74
Cost of Capital	<u>244,140</u>	<u>-</u>	<u>-</u>	<u>244,140</u>
Subtotal	5,193,582	18,154	185,156	5,026,580

OAKMONT WEST NURSING HOME
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2002
AC# 3-OKW-J2

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	148,348	-	-	148,348
Nonallowable	366,752	63,618 (1) 41,292 (2) 43,839 (4) <u>12,905 (6)</u>	13,988 (5)	514,418
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	\$ <u>5,708,682</u>	\$ <u>179,808</u>	\$ <u>199,144</u>	\$ <u>5,689,346</u>
Total Patient Days	<u>43,910</u>	<u>479 (7)</u>	<u>-</u>	<u>44,389</u>
		Cost of Capital Patient Days		<u>43,910</u>
Total Beds	<u>125</u>			

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKW-J2

<u>ADJUSTMENT</u> <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Taxes and Insurance	\$63,618	\$63,618
	To adjust liability insurance expense HIM-15-1, Section 2304		
2	Nonallowable	41,292	
	Nursing		29,355
	Restorative		2,184
	Dietary		3,335
	Housekeeping		2,149
	Administration		4,269
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Intercompany Taxes and Insurance	19,336	19,336
	To remove expense applicable to shared service laundry facility HIM-15-1, Section 2304		
4	Restorative	619	
	Dietary	234	
	Taxes and Insurance	3,307	
	Medical Supplies	6	
	Nonallowable	43,839	
	Nursing		2,590
	Maintenance		58
	Administration		41,032
	Legal		4,319
	Utilities		6
	To adjust home office cost allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

OAKMONT WEST NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 2002
AC# 3-OKW-J2

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Housekeeping	1,652	
	Maintenance	1,114	
	Administration	6,016	
	Legal	42	
	Utilities	871	
	Taxes and Insurance	4,293	
	Nonallowable		13,988
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
6	Nonallowable	12,905	
	Housekeeping		1,634
	Maintenance		1,113
	Administration		5,648
	Legal		1
	Utilities		871
	Taxes and Insurance		3,638
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
7	<u>Memo Adjustment:</u>		
	To increase total patient days by 479 to 44,389		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>199,144</u>	\$ <u>199,144</u>

Due to the nature of compliance reporting,
adjustment descriptions and references
contained in the preceding Adjustment
Report are provided for general guidance
only and are not intended to be all-
inclusive.

2 copies of this document were published at an estimated printing cost of \$1.37 each, and a total printing cost of \$2.75. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.